

**SMALL BUSINESS ADMINISTRATION (SBA)****Statement of Regulatory Priorities****Regulatory Streamlining**

The Small Business Administration (SBA) has made a concerted effort to serve its customers better over the last three years by eliminating regulations that no longer make sense, reducing paperwork requirements, and streamlining internal procedures. This Regulatory Plan continues to highlight that initiative and responds to President Clinton's mandate that regulations be effective, consistent, sensible, and understandable.

In his memorandum of March 4, 1995, President Clinton directed the SBA to complete a page-by-page, line-by-line review of all of its existing regulations to determine which might be revised or eliminated. SBA conducted that review in part through Grassroots Regulatory Partnership Meetings held throughout the country between April 10 and April 27, 1995. These meetings brought together more than 250 small business owners, contractors, lenders, loan recipients, State agencies, Service Core of Retired Executives (SCORE) volunteers, SBA employees, and others to discuss how SBA programs can be made more efficient, less burdensome, and more "user-friendly."

As announced in last year's Regulatory Plan, as a result of the review, SBA proposed to reinvent 100 percent of its current SBA-specific regulations in time for their publication in the January 1996 edition of 13 CFR. By clarifying and streamlining its regulations, SBA sought to conserve resources, improve procedures, and serve its customers more effectively.

The 1995 version of 13 CFR consisted of 38 parts totalling 700 pages of SBA-related regulations (152 pages of rules with Governmentwide application which SBA lacked discretion to change; 548 pages of rules within SBA's area of discretion). In proposing to streamline its regulations and convert them to a "plain language" format, SBA predicted that it would eliminate more than half the pages. The remaining rules would remain unchanged only because they are uniform rules applying to all executive branch agencies (including regulations relating to civil rights enforcement and the affirmative action section 8(a) program).

**CFR Elimination/Reinvention**

SBA completed its CFR elimination/reinvention project on time.

In doing so, it streamlined all of its regulations and converted them to plain language, while eliminating 55 percent of the pages under its control (302 out of 548). This represented full achievement of the regulatory reinvention goal announced in last year's Regulatory Plan.

**Significant Initiatives**

During the next 12 months, SBA hopes to obtain Department of Justice approval to review and revise the regulations dealing with its section 8(a) program. These revisions would streamline and clarify the regulations, converting them to plain language and incorporating substantive changes necessary to comply with the Justice Department's broader affirmative action guidance.

SBA also anticipates that legislation may be enacted during September 1996 which would alter salient features of SBA's lending and investment programs (13 CFR 107 and 120). Should this occur, SBA would need to promulgate regulations within the first 6 months of fiscal year 1997. These regulations would authorize the collection of fees in conjunction with the lending and investment programs, offsetting program costs and reducing corresponding subsidy rates in each case. The regulations may also describe methods by which certain private sector participants in the finance programs would liquidate the loans they make and permit participants to securitize the unguaranteed portion of SBA guaranteed loans (13 CFR section 120.420). Finally, the regulations may alter the size standards applicable to the small business investment company program and increase capital requirements for participation in that program (13 CFR section 121.103(b)(5)).

Whether or not such legislation is enacted, SBA expects to propose, early in fiscal year 1997, new regulations which would broaden the permissible control of an investee by a small business investment company and permit securitization of the unguaranteed portion of SBA guaranteed loans by all participating lenders.

All of the regulations referred to in this section of SBA's Regulatory Plan qualify for review under section 610(c) of the Regulatory Flexibility Act.

**SBA****PROPOSED RULE STAGE****146. • SMALL BUSINESS SIZE REGULATIONS AFFILIATION (SECTION 610 REVIEW)****Priority:**

Economically Significant. Major under 5 USC 801.

**Reinventing Government:**

This rulemaking is part of the Reinventing Government effort. It will revise text in the CFR to reduce burden or duplication, or streamline requirements.

**Legal Authority:**

15 USC 634(b)(6); 15 USC 632(a)

**CFR Citation:**

13 CFR 121.103(b)(5)

**Legal Deadline:**

None

**Abstract:**

This proposal will revise the definition of affiliation to permit small business investment companies and institutional investors to more easily coinvest in small businesses without being presumed to impermissibly control the investee.

**Statement of Need:**

The proposed regulation is intended to provide regulatory relief for transactions which would be impermissible without the change. It is needed in order to permit SBICs more opportunities to convert.

**Summary of the Legal Basis:**

Not required by statute or court order.

**Alternatives:**

The alternatives include retaining varying restrictions on coinvestment because of affiliation with large coinvestors.

**Anticipated Costs and Benefits:**

The anticipated benefit to SBICs is to open up more opportunities for investment. It is anticipated that these opportunities could amount to over \$100 million per year with attendant benefits to the economy as a whole.

**Risks:**

There are no tangible economic risks to this proposal.

**Timetable:**

Action	Date	FR Cite
NPRM	01/00/97	

**Small Entities Affected:**

Businesses

**Government Levels Affected:**

None

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**SBA**

**147. • MINORITY SMALL BUSINESS  
AND CAPITAL OWNERSHIP  
DEVELOPMENT/ SMALL  
DISADVANTAGED BUSINESS STATUS  
PROTEST AND APPEAL PROCEDURE  
(SECTION 610 REVIEW)**

**Priority:**

Economically Significant. Major under 5 USC 801.

**Reinventing Government:**

This rulemaking is part of the Reinventing Government effort. It will revise text in the CFR to reduce burden or duplication, or streamline requirements.

**Legal Authority:**

15 USC 634(b)(6); 15 USC 637(a); 15 USC 636(j)

**CFR Citation:**

13 CFR 124

**Legal Deadline:**

None

**Abstract:**

This proposal will represent a complete revision and streamlining of the regulations pertinent to the provision of contractual and managerial assistance to small businesses owned and operated by socially and economically disadvantaged individuals.

**Statement of Need:**

On March 4, 1996, President Clinton issued a memorandum to each Federal agency directing them to simplify their regulations and eliminate those that were unnecessary. This proposed rule

would reorganize Part 124 which governs the minority small business and capital ownership development program as well as streamline procedures for entering and participating in the program.

**Summary of the Legal Basis:**

Not required by statute or court order.

**Alternatives:**

The revision proposed will amend administrative provisions in existent regulations.

**Anticipated Costs and Benefits:**

This proposal will create no additional cost to the Government or the public.

**Risks:**

This proposal addresses no risks to the public health or safety or the environment.

**Timetable:**

Action	Date	FR Cite
NPRM	01/00/97	

**Small Entities Affected:**

Businesses

**Government Levels Affected:**

State, Tribal, Federal

**Analysis:**

Regulatory Flexibility Analysis

**Procurement:**

This is a procurement-related action for which there is no statutory requirement. There is no paperwork burden associated with this action.

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**SBA**

**148. • BUSINESS LOANS FINANCING  
NON-DEPOSITORY INSTITUTIONS  
(SECTION 610 REVIEW)**

**Priority:**

Economically Significant. Major under 5 USC 801.

**Unfunded Mandates:**

This action may affect State, local or tribal governments and the private sector.

**Legal Authority:**

15 USC 634(b)(6); 15 USC 636(a)

**CFR Citation:**

13 CFR 120.420

**Legal Deadline:**

None

**Abstract:**

This proposal will modify present regulations to permit depository as well as nondepository lenders to borrow against and securitize the unguaranteed portions of SBA guaranteed loans.

**Statement of Need:**

This proposed regulation is intended to provide the same opportunity to borrow against or securitize unguaranteed portions to all of SBA's participating lenders as is presently provided to nondepository lenders.

**Summary of the Legal Basis:**

Not required by statute or court order.

**Alternatives:**

The alternatives are to continue a policy of permitting only selected participants attain the benefits of borrowing against or securitizing unguaranteed portions.

**Anticipated Costs and Benefits:**

The economic benefit to participating lenders is difficult to quantify because it depends upon how many avail themselves of the ability to borrow or securitize provided by the proposal. SBA anticipates that many lenders will utilize the proposal if finalized, and that the transaction covered by the regulation could amount to over \$100 million per year, which would be available to relend to small businesses.

**Risks:**

The proposal will address no risks to the public health and safety or to the environment. The economic risks to SBA of a transaction which fails would be minimized by the substance of the regulation.

**Timetable:**

Action	Date	FR Cite
NPRM	01/00/97	

**Small Entities Affected:**

Businesses

**Government Levels Affected:**

None

**Analysis:**

Regulatory Flexibility Analysis

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